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Ans. 1 (a)

IN DEBTORS LEDGER
General Ledger Adjustment Account

Date	Particulars	Amount	Date	Particulars	Amount
1.4.2012	To Balance b/d	9,400	1.4.2012	By Balance b/d	3,58,200
1.4.2012 to	**To Debtors ledger Adjustment**		1.4.2012 to	**By Debtors ledger Adjustment**	
30.4.2012	Sales Return	33,100	30.4.2012	Credit sale	19,95,400
	Cash Received	17,25,700		B.R. Dishonured	7,500
	Bills Receivable	95,000		Cash paid to customer	6,000
	Transfer to Creditor ledger	16,000			
30.4.2012	To Balance c/d (Balancing figure)	4,97,700	30.4.2012	By Balance c/d	9,800
		23,76,900			**23,76,900**

Ans. 1 (b)

(I) **JOURNAL ENTRIES**

S.NO.	Particulars		Debit	Credit
(i)	Bank A/C	Dr.	88,000	
	To Tarun's Capital A/C		–	88,000
	(Being cash bring by Tarun for capital and goodwill)			
(ii)	Tarun's Capital	Dr.	36,000	
	To Arun's Capital (w.n. i)		–	22,500
	To Varun's Capital (w.n. i)		–	13,500
	(Being goodwill Adjustment)			

(II) **Calculation of Sacrifice Ratio**

	Arun		**Varun**
(a) New ratio	$\frac{1}{3}$		$\frac{1}{3}$
(b) Old ratio	$\frac{13}{24}$		$\frac{11}{24}$
Sacrifice ratio			
(b) – (a)	$\frac{5}{24}$	:	$\frac{3}{24}$
	5	:	**3**

Working note (i) :

	Arun	:	**Varun**
Amount to be credited in			
A/c of Arun & varun for Goodwill	$36,000 \times \frac{5}{8}$		$36,000 \times \frac{3}{8}$
	Rs. 22,500		**Rs.13,500**

Ans. 1 (c) **Calculation of Cash Price**

S.N.	Particulars	Instalment	Discount Factor	Present Value
1	Down payment	2,40,000	–	2,40,000
2	Ist Instalment	2,20,000	0.909	2,00,000
3	IInd Instalment	2,20,000	0.826	1,81,818
4	IIIrd Instalment	2,20,000	0.751	1,65,289
		9,00,000		**7,87,107**

Ans. 1 (d) **Income and Expenditure Account for the year ended on 31st March 2012**

Expenditure	Amount	Income	Amount
		By Subscription Cash Received 6,45,000 Add : Outstanding Closing 1,50,000 Less :Outstanding Opening 27,000 Add : Prepaid opening 0 Less : Prepaid closing 18,000	**7,50,000**

Balance Sheet as on 31st March 2011 (Extract)

Liabilities	Amount	Assets	Amount
		Subscription (Outstanding)	27,000

Balance Sheet as on 31st March 2012(Extract)

Liabilities	Amount	Assets	Amount
Subscription (Advance)	18,000	Subscription (Outstanding)	1,50,000

Ans. 2

Books of V Ltd.

Realisation Account

Particulars	Amount	Particulars	Amount
To Land and Building	445	By 10% Debentures	600
To Plant and Machinery	593	By Outstanding	
To Furniture, Fixtures		Debenture Interest	30
and Fittings	114	By Trade Payables	170
To Bank Balance	69	By P Ltd.	1,150
To Cash in hand	6	(Purchase Consideration)	
To Inventories	380		
To Trade Receivables	256		
To Equity Shareholdr's A/C (Profit)	87		
	1950		**1,950**

Books of P Ltd.

JOURNAL ENTRIES

S.N.	Particulars		Debit (Rs. in Lakhs)	Credit (Rs. in Lakhs)
(i)	Business purchase A/C	Dr.	1,150	
	To Liquidator of V. Ltd.(W.N.i)		–	1,150
	(Being Purchase consideration due)			
(ii)	Land and Building A/C	Dr.	445	
	Plant and Machinery A/C	Dr.	593	
	Furniture and Fittings A/C	Dr.	114	
	Inventories A/C	Dr.	380	
	Trade Receivables A/C	Dr.	256	
	Bank A/C	Dr.	69	
	Cash in hand A/C	Dr.	6	
	Profit and Loss A/C	Dr.	87	
	To Business Purchase		–	1,150
	To 10% Debentures		–	600
	To Outstanding Debenture Interest		–	30
	To Trade Payable		–	170
	(Being Sundry assets and liabilities transferred)			

(iii)	Liquidator of V Ltd A/C	Dr.	1,150	
	To Equity Share Capital		–	640
	To Security Premium		–	160
	To 13% Cum. Pref. Shares		–	350
	(Being payment of purchase consideration made)			
(iv)	10% Debentures A/C	Dr.	600	
	Outstanding Debenture Interest	Dr.	30	
	To 10.5% Debentrures		–	600
	To Bank		–	30
	(Being payment made to debentureholder)			
(v)	Profit and Loss A/C	Dr.	1	
	To Stock (W.N. ii)		–	1
	(Being unrealised profit eliminated)			
(vi)	Profit and Loss A/C	Dr.	2	
	To Bank		–	2
	(Being realisation expenses paid)			
(vii)	Trade payables A/C	Dr.	7	
	To Trade Receivables A/C		–	7
	(Being common debt cancelled)			

Working Note :

(i) <u>Purchase Consideration :</u>

(a) Equity Share holder :

Total shares of V ltd.	=	80,00,000
Exchange Ratio	=	$\frac{4}{5}$
Total Shares to be issued	=	64,00,000
Issue Price (10 + 2.5)	=	12.50
		8,00,00,000

(b) Preference Share holder :

No. of Shares	=	35,00,000
Issue price	=	10
		3,50,00,000
Total Purchase consideration : (a +b)		**11,50,00,000**

(ii) <u>Stock Reserve :</u>

Stock sold to P Ltd.	=	5,00,000
Profit % on invoice Price	=	20 %
Stock Reserve	**=**	**1,00,000**

Ans. 3 (a)

<u>Hire Purchase Stock Account</u>

Date	Particulars	Amount	Date	Particulars	Amount
1.4.2011	To Balance b/d	7,20,000	1.4.2011 to 31.3.2012	By Hire Purchase Debtor	12,20,000
1.4.2011 to 31.3.2012	To Good sold on hire Purchase (W.N.i)	17,40,000	31.3.2012	By Balance C/d	12,40,000
		24,60,000			**24,60,000**

<u>Hire Purchase Debtors Account</u>

Date	Particulars	Amount	Date	Particulars	Amount
1.4.2011	To Balance b/d	40,000	1.4.2011 to 31.3.2012	By Bank/Cash	12,00,000
1.4.2011 to 31.3.2012	To Hire Purchase Stock (Balancing Fig.)	12,20,000	31.3.2012	By Balance C/d	60,000
		12,60,000			**12,60,000**

Hire Purchase Adjustment Account

Date	Particulars	Amount	Date	Particulars	Amount
31.3.2012	To Profit and Loss A/C	2,44,000	1.04.2011	By Stock Reserve (W.N ii)	1,44,000
			1.04.2011 to 31.03.2012	By Goods Sold on Hire Purchase	3,48,000
31.3.2012	To Stock Reserve (W.N ii)	2,48,000			
		4,92,000			**4,92,000**

Shop Stock Account

Date	Particulars	Amount	Date	Particulars	Amount
1.04.2011	To Balance b/d	60,00,00	1.04.2011 to 31.03.2012	By Good's Sold on hire purchase (Balancing Fig.)	13,92,000
1.04.2011 to 31.03.2012	To Purchases	12,92,000	31.03.2012	By Balance C/d	5,00,000
		18,92,000			**18,92,000**

Working Note

(i) **Goods Sold on Hire Purchase**

Particulars	Amount	Particulars	Amount
To Shop Stock A/C	13,92,000	By Hire Purchase Stock (Balancing Fig.)	17,40,000
To Hire Purchase Adjustment (25% of 13,92000)	3,48,000		
	17,40,000		**17,40,000**

(ii) **Calculation of Stock Reserve (Opening and Closing)**

Particulars	Opening	Closing
H.P. Stock (at Invoice Price)	7,20,000	12,40,000
Profit % on cost	25%	25%
Stock Reserve	7,20,000 × 25/125	12,40,000 × 25/125
	1,44,000	**2,48,000**

Ans.3 (b)

(a) **BRITE LTD.**
JOURNAL ENTRIES

(Rs. in lakhs)

Date	Particulars		Debit	Credit
2012				
April 2	Equity Share Final Call A/c	Dr.	2,000	
	To Equity Share Capital A/c			2,000
	(Final call of Rs. 2 per share on 10 crore equity shares due as per Board's Resolution dated....)			
April 30	Bank A/c	Dr.	2,000	
	To Equity Share Final Call A/c			2,000
	(Final Call money on 10 crore equity shares received)			

June 1	Capital Reserve A/c	Dr.	485	
	Capital Redemption Reserve A/c	Dr.	1,000	
	Securities Premium A/c	Dr.	2,000	
	General Reserve A/c	Dr.	515	
	To Bonus to Shareholders A/c			4,000
	(Bonus issue 2 shares for every 5 shares held by utilising various reserves as per Board's Resolution dated...)			
June 1	Bonus to Shareholders A/c	Dr.	4,000	
	To Equity Share Capital A/c			4,000
	(Capitalisation of profit)			

(b) **Notes to Accounts**

(Rs. in Lakhs)

1. **Share Capital**

Authorised	
20 crore Equity shares of Rs.10 each	20,000
Issued, subscribed and fully paid share capital :	
14 crore Equity shares of Rs.10 each (Out of above, 4 crore equity shares @ 10 each were issued by way of bonus)	14,000
2 crore 11% Cumulative Preference shares of 10 each fully called and paid up	2,000
	16,000

2. **Reserve and Surplus :**

General Reserve (1,040 - 515)	525
Profit and loss Account(Appropriation)	273
	798

Ans. 4

Trading and Profit & Loss A/c
for the year ended 31st March, 2012

	(Rs.in'000')		(Rs.in'000')
To Opening stock	7,000.00	By Sales (W.N.10)	35,000.00
To Purchases (Bal. Fig.)	14,000.00	By Closing stock (W.N.11)	8,750.00
To Direct expenses	1,750.00		
To Gross profit c/d (W.N.9)	21,000.00		
	43,750.00		**43,750.00**
To office and Administration expenses	7,400.00	By Gross profit b/d (Bal. Fig.)	21,000.00
To Interest on Debenture	600.00	By Commission	1,000.00
To Provision for tax (W.N.8)	7,000.00		
To Net profit c/d	7,000.00		
	22,000.00		**22,000.00**
To Proposed dividends (W.N.1)	4,000.00	By Balance b/f	1,400.00
To Transfer to general reserve (W.N.2)	4,000.00	By Net profit b/d (Bal. Fig.)	7,000.00
To Balance transferred to Balance sheet (W.N.3)	400.00		
	8,400.00		**8,400.00**

Balance Sheet as on 31st March, 2012

Liabilities		**(Rs. in'000')**	**Assets**	**(Rs. in'000')**
Paid-up capital		10,000.00	Fixed assets:	
General reserve:			Plant & machinery	14,000.00
Balance at the beginning (W.N.14)	8,000.00		Other fixed assets (Bal. Fig.)	6,400.00
Proposed addition (W.N.2)	4,000.00	12,000.00	Current Assets:	
Profit and loss A/c		400.00	Stock in trade (W.N.11)	8,750.00
10% Debentures A/c (W.N.4)		6,000.00	Sundry debtors (W.N.13)	14,000.00
Proposed dividend		4,000.00		
Current liabilities (W.N.5)		12,000.00	Bank Balance	1,250.00
		44,400.00		**44,400.00**

Working Notes:

1. Proposed dividend to paid up capital is 40 %
i.e. Proposed dividend = 40% of paid up capital
= Rs. 10,000.00 thousand × 40% = Rs.4,000.00 thousand

2. Transfer to General Reserve is equal to proposed dividend i.e., 1:1.
Proposed dividend is Rs.4,000.00 thousand,
therefore general reserve is also Rs.4,000.00 thousand.

3. Profit carried forward to Balance Sheet = 10% of Proposed Dividend
i.e., Rs.4,000.00 thousand × 10% = Rs. 400.00 thousand

4. 10% Debentures implies interest on Debentures being 10%
i.e. Rs. 600.00 thousand / 10% = Rs. 6,000.00 thousand

5. 10% Debentures is half of current liabilities which means current liabilities are twice of 10% Debentures
i.e., Rs. 6,000.00 thousand × 2 = Rs. 12,000.00 thousand

6. Current Ratio i.e.,
Current Asset / Current Liabilities = 2 : 1 or 2/1
i.e. Current Assets = 2 x Current Liabilities
or 2 x Rs. 12,000.00 thousand = Rs. 24,000.00 thousand

7. Current Net Profit

	(Rs. in '000')
Proposed dividend	4,000.00
Transfer to general reserve	4,000.00
Profit and loss balance transferred to balance sheet	400.00
	8,400.00
Less: Balance b/f	(1,400.00)
Net profit for the year	**7,000.00**

8. Provision for taxation is equal to 50% of profit. (Tax rate is 50%).

		(Rs. in '000')
Profit after Tax	=	7,000.00
Taxation (50 %)	=	7,000.00
Profit befor Tax	=	**14,000.00**

9. Gross profit being balancing figure of Profit and Loss A/c = 21,000.00 thousand

10. Gross profit = 60% of sales
i.e. 21,000.00 thousand = 60% of sales
Or, sales = 21,000.00 thousand x 100/60 = 35,000.00 thousand

11. Closing stock is 25% of sales i.e., 25% of Rs.35,000.00 thousand = Rs.8,750.00 thousand

12. Purchases being balancing figure of Trading A/c = Rs.14,000.00 thousand

13. Debtors = Current Assets – Closing Stock – Cash at Bank
= Rs.24,000.00 thousand – Rs.8,750.00 thousand – Rs.1,250.00 thousand
= Rs.14,000.00 thousand

14. Balance of general reserve at the beginning of the year is twice of the amount transferred to general reserve during the year i.e. 2 x Rs.4,000.00 thousand = Rs.8000.00 thousand

15. Other fixed assets = Total of balance sheet (liabilities side)- Current assets – Plant and machinery
i.e., Rs.44,400.00 thousand - Rs.24,000.00 thousand – Rs.14,000.00 thousand
= Rs.6,400 thousand

Ans. 5 (a)

INVESTMENT IN EQUITY SHARES IN V LTD.

Date	Particulars	Face Value	Cost	Date	Particulars	Face Value	Cost
01.04.2011	To Cash (W.N i)	5,00,000	6,15,000	31.03.2012	To Cash (W.N ii)	2,50,000	2,20,500
31.01.2012	To Bonus	2,50,000	–				
31.03.2012	To P & L A/c (W.N iii) (Profit on Sale)	–	15,500	31.03.2012	By Balance cld (W.N iv)	5,00,000	4,10,000
		7,50,000	**6,30,500**			**7,50,000**	**6,30,500**

Working Note :

(i) **Cost of Purchase (1.04.2011)**

Purchase Cost (120 × 5,000)	= 6,00,000
Add : Brokerage (2% × 6,00,000)	= 12,000
Add : Stamp (0.50% × 6,00,000)	= 3,000
	6,15,000

(ii) **Sale Value of Investment**

Sale Amount (90 × 2,500)	= 2,25,000
Less : Brokerage (2% × 2,25,000)	(4,500)
	2,20,500

(iii) **Profit on sale of investment**

Profit / (loss) = Sale Proceeds - Average cost

$$\text{Profit} = 2{,}20{,}500 - \left(\frac{6{,}15{,}000}{7{,}500} \times 2{,}500\right) = 15{,}500$$

(iv) **Valuation of equity shares on 31-03-2012**

$$\text{(A) Cost} = \frac{6{,}15{,}000}{7{,}500} \times 5{,}000 = 4{,}10{,}000$$

(B) Market Value = (5,000 × 90)
= 4,50,000

Valuation at year end is Rs. 4,10,000 being lower of cost(A) and market value (B).

Ans. 5 (b)

Statement showing calculation of loss of stock

Particular	Amount
Value of Stock as on date of fire (W.N.ii)	8,82,600
salvage value of stock	1,08,000
Loss of Stock	**7,74,600**

Calcution of Gross Claim and Net Claim

Loss of Stock	=	7,74,600
Fire Fighting charges	=	4,700
Gross claim		**7,79,300**
Net claim	=	**7,79,300**

(As policy is more than Required Amount, So Full Amount of claim will be accepted)

Working Note

(i) CALCULATION OF GROSS PROFIT RATIO

Trading Account for the year ended on 31st March 2012

Particulars	Amount	Particulars	Amount
To Opening stock	7,10,500	By Sales	80,00,000
To Purchase	56,79,600		
To Gross Profit (Bal. Fig.)	24,00,000	By Closing stock	7,90,100
	8,790,100		**87,90,100**

$$\text{Calculation of G.P. rate} = \frac{24{,}00{,}000}{80{,}00{,}000} \times 100$$

= 30% on sales

(ii) CALCULATION OF STOCK AS ON DATE OF FIRE(29-08-2012)

Memorandum Trading Account
From 1-4-2012 to 29-08-2012

Particulars		Amount	Particulars	Amount
To Opening Stock		7,90,100	By Sales	45,36,000
To Purchase	33,10,700		By Closing Stock (b/f)	8,82,600
(-) Sample Advertising	(41,000)			
(-) Personal Use	(2,000)	32,67,700		
To Gross Profit c/d				
(45,36,000 × 30%)		13,60,800		
		54,18,600		**54,18,600**

Ans. 6

1. Revaluation Account

Particulars	Amount	Particulars	Amount
To Provision for Bad debts	5,400	By land and Building	2,00,000
To Provision for compensation	5,000		
To Partner's Capital A/C			
Atul's Capital A/C	94,800		
Balbir's Capital A/C	56,880		
Chatur's Capital A/C	37,920		
	2,00,000		**2,00,000**

2. Partner's Capital Account

Particulars	Atul	Balbir	Chatur	Particulars	Atul	Balbir	Chatur
To Bank	3,84,900			To Balance b/d	6,25,000	3,75,000	2,50,000
To Atul's Loan A/c	3,84,900			By General Reserve	50,000	30,000	20,000
				By Revaluation A/c	94,800	56,880	37,920
To Balance c/d	–	6,41,880	4,27,920	By Bank		1,80,000	1,20,000
	7,69,800	**6,41,880**	**4,27,920**		**7,69,800**	**6,41,880**	**4,27,920**

3. Bank Account

Particulars	Amount	Particulars	Amount
To Balance b/d	1,52,600		
To Balbir's Capital A/C	1,80,000	By Atul's Capital A/C	3,84,900
To Chatur's Capital A/C	1,20,000		
		By Balance c/d	67,700
	4,52,600		**4,52,600**

Balance Sheet as on 31st March, 2012
(After Atul's Retirement)

Liabilities	Amount	Assets	Amount
		Goodwill	80,000
Balbir's Capital	6,41,880	Land and Building	9,00,000
Chatur's Capital	4,27,920	Furniture	1,65,000
		Stock	2,86,000
10 % Atul's loan A/C	3,84,900	Trade Debtor 1,80,000	
		Less : Provision	
Trade Creditors	2,10,000	for Bad debts 9,000	1,71,000
Provision for Compensation	5,000		
		Cash at Bank	67,700
	16,69,700		**16,69,700**

Ans. 7 (a)

Calculation of Average due date (Base Date - 15th March)

S.N.	Amount	Due Date	Days	Product
1	7000	15.03.2012	0	0
2	12,000	05.04.2012	21	2,52,000
3	30,000	25.04.2012	41	12,30,000
4	20,000	11.06.2012	88	17,60,000
	69,000			32,42,000

(i) **Average Due Date** = Base Date $\pm$ $\frac{\text{Total of product}}{\text{Total of Amount}}$

= 15.03.2012 + $\frac{32,42,000}{69000}$

= 15.03.2012 + 47 day's

A.D.D. = 01.05.2012

(ii) **Amount of Interest :** $69,000 \times 10\% \times \frac{60}{365}$

Interest = Rs. 1135 (approx.)

Ans. 7 (b)

Memorandum Trading Amount
For the year ended on 31.03.2012

Particulars	Amount		Particulars	Amount	
	Normal	Abnormal		Normal	Abnormal
To Opening stock (W.N.i)	22,000	6,500	By Sales	2,40,000	9,000
To Purchases	1,52,500	–	By Closing Stock	12,500	–
To Manufacturing Expenses	30,000	–	(Balancing Fig.)		
To Gross Profit	48,000	–			
[20% on Sales]	–				
To Gross Profit (Balancing Fig.)	–	2,500			
	2,52,500	**9,000**		**2,52,500**	**9,000**

Working Note (i)

Value of abnormal stock included in opening stock		
Purchase Cost	=	10,000
Amount written off	=	(3,500)
Value of abnormal stock included in opening stock	=	6,500

Ans. 7 (c)

Statement showing calculation of the cost of the fixed Asset

S.N.	Particulars	Amount
1	Materials	16,00,000
2	Direct Expenses	3,00,000
3	Direct Labour [6,00,000 × 1/15]	40,000
4	Office & Administrtive Expenses [9,00,000 × 4%]	36,000
5	Depreciation of asset used for Construction	15,000
	Total Cost of the Asset	**19,91,000**

Sol. 7(d)

Exclusions from the Cost of Inventories

As per Accounting standard - 2 " Valuation of Inventories" in determining the cost of inventories it is appropriate to exclude certain costs and recognise them as expenses in the period in which they are incurred. Examples of such costs are:

1. Abnormal amounts of wasted materials, labour, or other production costs;
2. Storage costs, unless those costs are necessary in the production process prior to a further production stage;
3. Administrative overheads that do not contribute to bringing the inventories to their present location and condition; and
4. Selling and distribution costs.

Sol. 7(e)

Disadvantage of Pre-packaged Accounting Software

1. **Does not cover peculiarities of specific business:** Business today are becoming more and more complex. A standard package may not be able to take care of these complexities.

2. **Does not cover all functional area:** For example production process may not be covered by most pre-packaged accounting software.

3. **Customisation may not be possible in most such softwares:** The vendors for these softwares believe in mass sale of an existing source. The expertise for customisation may not have been retained by the vendor.

4. **Reports generated is not sufficient or serve the purpose:** The demands for modern day business may make the management desire for several other reports for exercising management control. These reports may not be available in a standard package.

5. **Lack of security:** Any person can view data of all companies with common access password. Levels of access control as we find in many customised accounting software packages are generally missing in a pre-packaged accounting package.

6. **Bugs in the software:** Certain bugs may remain in the software which takes long to be rectified by the vendor and is common in the initial years of the software.